

Debt Service

This budgetary unit provides for the payment of principal and interest payments on the City's outstanding debt obligations. These obligations were incurred as a result of long or short-term borrowing or lease financing. Further information about the City's outstanding obligations is provided below.

Notes and Bonds

On April 16, 2002, the City participated in a bond issuance with the Maryland Department of Housing and Community Development in the amount of \$2,048,700 to be used for the construction of a community center. The principal and interest payments (based on variable interest rates) are to be repaid in variable amounts increasing each year until bonds are paid.

The annual installments for the repayment of the bonds as of June 30, 2011 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 96,500	\$ 60,360	\$ 156,860
2013	99,300	56,500	155,800
2014	104,500	52,379	156,879
2015	109,700	47,938	157,638
2016	113,200	43,865	157,065
2017 – 2022	<u>808,600</u>	<u>139,276</u>	<u>947,876</u>
Total	<u>\$ 1,331,800</u>	<u>\$ 400,318</u>	<u>\$ 1,732,118</u>

In addition to the Fiscal Year 2012 principal and interest payments, the Fiscal Year 2012 budget includes \$1,240,500 for the anticipated payoff of the above bond in June 2012.

On July 15, 2004 the City issued bonds in the amount of \$2,005,000 to be used for street improvement construction projects. The principal is to be repaid with semi-annual payments of \$154,231 at a 3.34% interest rate.

The annual installments for the repayment of the bonds as of June 30, 2011 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 154,229	\$ 2,576	\$ 156,805
Total	<u>\$ 154,229</u>	<u>\$ 2,576</u>	<u>\$ 156,805</u>

On May 26, 2005 the City issued bonds in the amount of \$2,600,000 to be used for the community center construction project. The principal and interest payments (based on variable interest rates) are to be repaid in variable amounts, increasing each year until the bonds are paid.

The annual installments for the repayment of the bonds as of June 30, 2011 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 110,500	\$ 85,696	\$ 196,196
2013	114,500	81,055	195,555
2014	118,500	76,246	194,746
2015	123,000	71,269	194,269
2016	127,500	67,216	194,716
2017 – 2025	<u>1,411,000</u>	<u>322,882</u>	<u>1,733,882</u>
Total	<u>\$ 2,005,000</u>	<u>\$ 704,364</u>	<u>\$ 2,709,364</u>

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On April 21, 2010, the City issued bonds in the amount of \$1,400,000. The bond proceeds were used to liquidate the deficit arising from the unfunded portion of the State Retirement and Pension System which covers prior and current employees. The principal is to be repaid with quarterly payments of \$41,813 at an interest rate of 3.59%. The final payment is due April 21, 2020.

The annual installments for the repayment of the bonds as of June 30, 2011 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 122,890	\$ 44,361	\$ 167,251
2013	127,361	39,890	167,251
2014	131,996	35,255	167,251
2015	136,799	30,452	167,251
2016	141,776	25,475	167,251
2017-2020	<u>620,603</u>	<u>48,401</u>	<u>669,004</u>
Total	<u>\$ 1,281,425</u>	<u>\$ 223,834</u>	<u>\$ 1,505,259</u>

In June 2004, the City entered into a Community Legacy Program Loan Agreement with the Maryland Department of Housing and Community for an unsecured loan of up to \$300,000 for the construction of a multi-level public parking structure in the Old Town business district. This Agreement was amended in June 2008, and funds were reallocated for other parking related improvements. The City received loan proceeds in the amount of \$150,000 in Fiscal Year 2010. The interest rate is zero percent, and the entire principal of \$150,000 is deferred until June 2022.

On July 27, 2010, the City issued bonds in the amount of \$1,500,000. The bond proceeds will be used for the design and renovation of the Public Works Facility. The principal and interest payments are to be

repaid semi-annually each year based upon an interest rate of 2.97% until the bonds are paid. Annual payments of approximately \$170,000 began December 15, 2010. The final payment is due June 30, 2020.

The annual installments for the repayment of the bonds as of June 30, 2011 are as follows:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 135,000	\$ 40,838	\$ 175,838
2013	140,000	36,828	176,828
2014	145,000	32,670	177,670
2015	150,000	28,363	178,363
2016	155,000	23,909	178,909
2017-2020	<u>650,000</u>	<u>49,005</u>	<u>699,005</u>
Total	<u>\$1,375,000</u>	<u>\$ 211,613</u>	<u>\$ 1,586,613</u>

Capital Lease

The City entered into a capital lease agreement for the purchase of equipment. The equipment underlying this agreement is police vehicles with an original cost of \$220,029. The minimum lease payments as of June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Police Equipment</u>
2012	<u>\$ 49,321</u>
Total payments	49,321
Interest portion	<u>(2,814)</u>
Present value of lease payments	<u>\$ 46,507</u>